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UNCLAS ISTANBUL 000357

SIPDIS

SENSITIVE

STATE FOR E, EUR AND EB
TREASURY FOR OASIA - MILLS
NSC FOR BRYZA

E.O. 12958: N/A

TAGS: ECON ETRD EFIN TU

SUBJECT: INFORMAL ECONOMY TURNS DEADLY AS 10 TURKS SUCCUMB
TO COUNTERFEIT RAKI

Sensitive but Unclassified - not for internet distribution.

11. (U) Summary: The problem of counterfeiting in Turkey took a new and deadly turn this week as ten Istanbul residents died from alcohol poisoning after drinking counterfeit raki. Another forty remain hospitalized here, several in critical condition. The homemade brew, some of which was produced in a garage in the Istanbul district of Bayrampaşa, contained two to three hundred times the permitted level of methyl alcohol. The search for the contraband liquor continues throughout Turkey, with police as far afield as Antalya reporting discovery of thousands of bottles. Industry officials, who are bracing for a temporary decline in consumption of Turkey's national drink, blame high alcohol taxes for the deaths, warning that "such problems will continue" as long as taxes remain so high. End Summary.

12. (U) Deadly Brew: The problem first emerged over the weekend in Istanbul, as dozens of local residents checked into a number of local hospitals complaining of headaches and dizziness after consuming raki over the weekend. Within hours, several victims had died, and by March 3 the total death toll stood at 10, with another forty people in the hospital. Authorities quickly discovered that those affected had imbibed counterfeit raki, some of which contained two to three hundred times the permitted level of methyl alcohol. Investigators continue to probe the source of the counterfeit liquor, which was apparently packaged with the name of a leading Turkish brand (Yeni Raki), and was even tagged with the appropriate excise tags. News reports indicate that a quantity of such tags, perhaps totalling as many as half a million, were stolen earlier in the year in Izmir. Some of the illicit alcohol was apparently produced in a still in a garage in the Istanbul district of Bayrampaşa, where nine people have been arrested. Additional stills have been discovered in Hendek in Sakarya (to the northwest of Istanbul), and as far away as Malatya in eastern Turkey. A large quantity of the counterfeit alcohol was found to be en route from Istanbul to points as far away as Antalya.

13. (U) High Taxes: Industry officials ascribe the problem to the high level of alcohol taxation in Turkey, noting that of the 22 new Turkish lira (YTL) a consumer pays for a standard bottle of Raki, 15 YTL go towards the various taxes that are imposed upon it, including value-added tax (KDV) and special consumption taxes (OTV). The CEO of Mey İcki, Galip Yorgancıoglu, which purchased the state alcohol monopoly's raki division last year, noted that the government has raised OTV taxes four times in the last two years, and that he and other producers warned after the latest increase that counterfeit production would inevitably increase. Seventy percent of the price of raki goes towards such taxes, he added, characterizing this as an "attractive target" for counterfeiters.

14. (SBU) Comment: Raki consumption is a favorite national pastime here, whether accompanying meals or serving as the lubricant for conversations that extend well into the night. This week's news, coming at a time when Turkish officials have been highlighting their success in fighting piracy in other areas, serves as an unwelcome and deadly reminder of the reach of illicit activities, and the continuing distortions that characterize the Turkish system. Given the need for the GOT to maintain a large primary surplus, tax relief is likely not on the horizon (particularly in this area, given the natural inclinations of an Islamically-inclined government), but this week's tragedy highlights the way in which legitimate activities can be crowded out as unsavory operators seek to make a quick buck. End comment.

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